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SUBJECT: SCENESETTER FOR THE SIXTH U.S.-TURKEY TIFA  
MEETINGS

Ref: 08 Ankara 2191

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1. (SBU) Summary: We should focus our efforts in the sixth U.S.-Turkey Trade and Investment Framework Agreement (TIFA) discussions on expanding U.S. market access in Turkey and building on recent progress in reducing barriers to trade and investment, with emphasis on market access issues, particularly for agricultural products. IPR protections have improved in the past two years despite a recent setback to trademark protection. This year's meetings will be set in a markedly gloomier global economic context than the TIFA meetings in 2006 and 2007, a context which may be used as an excuse for inaction on the part of the GOT). End summary.

2. (SBU) The sixth U.S.-Turkey Trade and Investment Framework Agreement discussions, scheduled for January 13, 2009, in Ankara will be led by Foreign Trade (FTU) Deputy Undersecretary Ulker Guzel and will have representatives from the Ministries of Culture, Justice, Agriculture, Health, and Finance, as well as from the Treasury Undersecretariat and the Turkish Patent Institute. The talks will be preceded by a private sector event in Istanbul on January 12 for the U.S. delegation to discuss issues affecting the U.S. business community.

Points to Raise  
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3. (SBU) Recommend highlighting:

- Access for agricultural products must be streamlined and brought in line with WTO norms (see para. 6)
- Momentum on improving IPR should be maintained, despite recent setbacks (see paras. 7)
- Improving the process for foreign workers to get necessary permits will aid investment in Turkey (see para. 8)

Likely Turkish Concerns  
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¶4. (SBU) The Turkish side could raise:

- Increasing opportunities for cooperation and foreign investment(see para. 9)
- Turkish perception of the negative impact of changes in Generalized System of Preferences and textile quotas (see para. 10)
- Concern about implementation of the Container Security Initiative and Secure Freight Initiative (see para. 11)

#### Financial Crisis and Domestic Political Concerns

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¶5. (SBU) Reforms following its 2001 financial crisis largely shielded Turkey's financial system from the global financial crisis, but the knock-on economic effects in the commercial and manufacturing sectors are beginning to bite. Factories are closing, exports in 2009 are expected to decline by 20 percent (and have already started falling), and unemployment is on the rise (officially now at 10.2 percent, unofficially much higher). Growth in 2009 is expected to be flat at best. The GOT is pinning its hopes on a planned IMF agreement to calm markets and provide needed financing to the private sector, but ruling AK Party is positioning itself for local elections in March 2009 and the GOT may be tempted to take more protectionist actions. We assess that the GOT will be reluctant to undertake major policy

ANKARA 00000015 002 OF 003

changes that could be construed as damaging to the local producers whose support the AKP is courting.

#### Agricultural Issues

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¶6. (SBU) Despite some limited successes, market access remains restricted for U.S. agricultural products. In 2007, Turkey agreed to a protocol permitting the import of live breeding cattle. As a result of a WTO dispute resolution case brought by the U.S., Turkey has resumed the import of U.S. rice. Despite these successes, significant challenges remain, including:

- failure to comply with WTO requirements for Sanitary and Phytosanitary Standards(SPS)/Technical Barriers to Trade (TBT) notifications;
- unscientific SPS measures and import documentation requirements;
- inordinately high tariffs;
- de facto seasonal bans on imports of agricultural products during the domestic harvest season for that product; and
- de facto import restrictions on items such as beef and poultry.

#### Intellectual Property Rights

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¶7. (SBU) Turkey's considerable improvement in IPR protection infrastructure and legal framework led in 2008 to its shift from the Special 301 Priority Watch List down to the Watch. Issues related to pharmaceutical data exclusivity, pricing and reimbursement continue to be a major concern to U.S. pharmaceutical companies. In addition, a recent Turkish Supreme Court decision invalidated thousands

of pending trademark cases (see reftel). We should request an update from the GOT on their strategy to remedy this situation. Turkey must continue its law enforcement efforts to combat the production and distribution of counterfeit trademarked goods. The Turkish delegation is preparing an update on the new patent law under consideration by Parliament.

#### Work Permits and Degree Equivalency

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¶18. (SBU) A frequent complaint of U.S. investors is that it takes too long for skilled foreign workers to receive certification that their degrees are equivalent to local degrees for the purposes of obtaining work permits. The work permit itself then requires an additional complicated process. This discourages investment in Turkey because it is difficult for companies to bring in their own talent to open up or run operations in Turkey.

#### Turkish Concerns: Increased Cooperation

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¶19. (SBU) The GOT is eagerly looking for areas where cooperation with the U.S. can lead to increased trade and investment. They will present updates on planned programs to promote Turkey in the U.S. and to educate Turkish companies about U.S. procedures. They also want to discuss possibilities for cooperation in construction (for example, in northern Iraq). Finally, they will propose the creation of a U.S. Trade Center in Istanbul and explore the possibility of beginning a preferential trade agreement with the U.S. (Comment: It is unclear how this would work in the context of Turkey's EU commitments and our own existing trade treaties. End comment.)

GSP

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ANKARA 00000015 003 OF 003

¶10. (SBU) The Turkish delegation will request an update on the current status of the Generalized System of Preferences and the prognosis for Turkey's participation in the system. Turkey is concerned that the extensions to its participation may be discontinued. They will also raise the issue of the recently-expired textile quotas and the likely impact on Turkish exporters.

#### CSI/Secure Freight Initiative

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¶11. (SBU) The GOT has requested that the U.S. provide a status update on the Container Security and Secure Freight Initiatives and the likelihood of those programs being implemented in Turkey in the near future. Turkey is concerned about the potential expense and administrative burden of the CSI/SFU requirements for their ports.

JEFFREY